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Value of state cabinet  
(may be 720)

NSC BRIEFING

13 October 1954

*Revised additions given to PB 21 Oct '54*

SINO-SOVIET COMMUNIQUÉ

I. Joint communiqué (11 October) shows

Moscow's enthusiasm for alliance and  
*recognition*  
~~present~~ intention treat Peiping as

"great power." - *Qualitatively completely equal*  
*to USSR*

*First such to  
outside Moscow  
highest level deleg  
even to leave USSR  
Sino Sov Friendship  
Society, first such  
ever set up in USSR*

A. Explicit statement "complete  
unity of views" on both Sino-  
Soviet relations and foreign  
affairs. *Utmost cordiality in speeches.*

II. In economic field, announced: end to  
all four joint stock companies; plan  
for two new rail links; new credits  
to China.

① *Anhui*  
② *Dan shi repair*

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A. Despite abolition all four companies, Soviet influence may continue in two--Dairen shipyard, Sinkiang mining. *(Manium)* Peiping will pay for Soviet share in all (other two-- Sinkiang oil company, SKOGA airline between Peiping and USSR). *Cf. liquidation of similar enterprise in Rumania - Bulgaria*

B. One rail line (through Mongolia) to be finished next year--this a surprisingly big operation. Other (through Sinkiang) not to be completed until 1960's.



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# Mongolia -

Line to Ulan Bator 1949

July '53 we knew it was being constructed  
This summer intensified activity noted, so much  
so that some of us thought they might be  
going to spring surprise announcement final  
golden spike driving. ∴ completion in 1955  
no surprise. Logical. oil. Pasture steel  
400 wells. <sup>Sainshanda</sup> Coal Camp

Results Shortens M-P distance 750 miles  
Hauls 8-12000 tons per day (not net - <sup>total</sup> haul)  
[Avoid coastal routes from Manchuria  
but in pinch 77% increase in what China  
could receive.

Urumchi  
Lanchow - Sinkiang - Alma Ata - Began Oct 52  
300 km thru toughest terrain.  
Reach Yunnan oilfields (large) 53 - thru 61 ???  
6000 tons a day  
20% increase in total EW.  
Profile -  
cf. Cen Pac RR.

cf. US 7 - NA 9 lines  
air 4+1 = 5 lines

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C. New Soviet credit is under \$250 million, perhaps half that--text not clear on exact sum. Thus, Soviet economic aid to China remains modest (current credit, plus \$300 million in 50-54). However, aid includes key equipment unavailable elsewhere.

*BW Cf. Chang Chun  
Motor Factory  
500,000 Sq Ft  
with Capex over  
100,000 cars per annum.  
N.B. only 90,000  
vehicles in all China today*

III. In military field, only disclosure is withdrawal Soviet forces from Port Arthur naval base area, turnover of installations by 31 May 55.

A. Now 60,000 Soviet troops, 570 aircraft, 12 submarines, small surface craft in Port Arthur area.

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141 end → X ✓  
Cap add. fund " }  
Goods 15 new " } 400

credit  $\frac{120}{520}$  for other the cap goods.

130,000,000

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*Alma*  
B. ~~Probable~~ that Soviet forces will really be withdrawn, rather than moved to nearby Dairen (which is part of base area) or elsewhere in Manchuria.

C. Failure mention Soviet interests in Dairen other than shipyard not significant, as civil administration and port control largely transferred to Chinese in 51-52.

IV. Port Arthur move seems linked to

recent wooing Japan. *Main aim of Communism*

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A. In 1952, retention of troops justified by "threat" from

Japan: communiqué looks *coexistence between diff social systems* instead to "normalization"

relations. *and inducement to cut ties w/ U.S.*

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1945-1950 Dairen under Soviet military control.

Under 1950 treaty, civil administration given

Chinese and question status of port postponed

pending peace treaty with Japan.

1951-52 port and city control gradually transferred to Chinese. Under 11 October 1954 agreement, Dairen shipyard, a joint stock company, transferred to Chinese control.

Chinese now have dominant voice in Dairen.

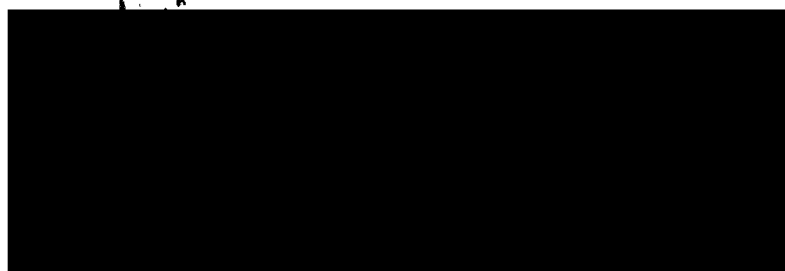
*Cf. Returner report of emphasis on steel for naval construction*

*Anshan 3.2 MT/yr.*

*.9 53 1. 54 3.2 59 against Sov advice to take 10 yrs to reach this rate*

*"impossible for China to dominate far east w/o*

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